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JOHNSON'S BALANCE-OF-PAYMENTS PROPOSALS

In 1944, the United States had 60% of all known gold reserves in the world; the total of foreign claims against our gold was relatively insignificant; we had been enjoying surpluses in our annual balance of payments for almost 50 years.

Liberals and communists, claiming that world trade would stagnate if the U. S. continued to dominate the international monetary supply, demanded policies that would distribute our gold reserve to other nations. Consequently, the United Nations Monetary and Financial Conference was held at Bretton Woods, New Hampshire, in July, 1944. Controlled by Harry Dexter White (a communist spy who was Assistant Secretary of the U. S. Treasury Department), the Bretton Woods Conference proposed policies which would reverse our favorable balance-of-payments situation and siphon off our gold reserve to other nations.

Our government adopted the Bretton Woods policies, and has followed them ever since.

In 1945, the great giveaway of American resources to foreign nations began.

In 1950, the annual balance of payments began running against us: the Bretton Woods plan to dissipate America's gold reserve was working well.

I have published that information many times in the past 17 years. Liberal pseudo-economists have always ridiculed my "scare tactics" and "extremism." Now, President Johnson obliquely verifies my contention. On January 1, 1968, the President issued a statement on the balance-of-payments problem and on his plan to solve the problem. He said:

"U. S. dollars flow from these shores for many reasons. . . . When that outflow is greater than our earnings and credits from foreign nations, a deficit results in our international accounts.

"For 17 of the last 18 years we have had such deficits. For a time those deficits were needed to help the world recover from the ravages of World War II. They could be tolerated by the United States and welcomed by the rest of the world. They distributed more equitably the world's monetary gold reserves . . . ."

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The President concedes that the annual deficits in our international balance of payments now "threaten the stability of the international monetary system" and "could endanger the strength of the entire free world economy, and thereby threaten our unprecedented prosperity at home."

The measure which the President proposes will be as harmful as were the policies which created the problem.

Johnson said:

"The first line of defense of the dollar is the strength of the American economy. No business before . . . Congress will be more urgent than this: To enact the anti-inflation tax which I have sought for almost a year. Coupled with our expenditure controls and appropriate monetary policy, this will help to stem the inflationary pressures which now threaten our economic prosperity and our trade surplus."

The President demands a 10% income tax surcharge to *decrease* the people's spending of their own money, while he *increases* his spending of their money. He says the tax is needed to reduce government's anticipated deficit this year from $20 billion to $8 billion; but he could eliminate the $20 billion deficit and give taxpayers a $34.4 billion tax reduction by merely cutting non-defense spending back to what it was at the beginning of the Kennedy administration.[1]

In lieu of "expenditure controls," the President submitted the most colossal budget in our history — a budget which includes vast increases in non-defense spending, on unconstitutional programs which have already proved to be harmful rather than helpful to our country.[1]

The President's "appropriate monetary policy" includes removing the 25% gold backing for domestic paper money. With foreign nations siphoning off our gold reserve at the rate of $5.2 billion a year (the prevailing rate in mid-February), the President reasons that it will stop the run on our gold if we assure foreign nations they can take all we have.[2] On February 21, 1968, the House, by a vote of 199-190, approved the administration bill (HR 14743) to remove the gold cover for our currency. At present, the bill is in Senate committee.

The President says American travelers spend some $2 billion a year more in foreign lands than foreign travelers spend in the United States. To reduce this deficit by some $500 million, he proposes a special tax on Americans who travel for private pleasure or business outside the Western Hemisphere. The President does not say whether he will curtail his own flitting around the world to improve his image (at taxpayers' expense and with an entourage that makes every trip cost millions). He has made no comment on the plans of his Secretary of Agriculture who is organizing an 11-day junket to the Far East for members of Congress, governors, staff members, farm leaders, and wives.[3]

While approving and enlarging government's multi-billion-dollar squandering and giving away abroad, the President says that American "citizens . . . traveling abroad and spending their dollars abroad . . . [are] damaging their country."[4] He proposes to punish *some* of those citizens — specifically, those who spend more than $7 a day outside the Western Hemisphere. The tax will be progressive, of course: the more an individual spends abroad, the higher the tax rate imposed on him. Obviously, more will be spent to administer this complicated, unworkable tax than the tax will produce in revenue.

The travel tax will not ease our balance-of-payments situation. Officials estimate that most of the $2 billion "travel deficit" in 1967 resulted from U. S. citizens visiting Expo 67 in Canada.[4] Canada, Mexico, Central America, South America, and the West Indies are all in the Western Hemisphere; and all, therefore, are excluded from Johnson's proposed travel tax.

Johnson's travel tax will invite retaliation by nations outside the Western Hemisphere — whose citizens spent $560 million on travel in the U.S. during 1966. The Boeing Company estimates that American plane builders will lose $596 million in 2 years as a result of Johnson's restrictions on foreign travel, and that America's overseas airlines will suffer heavy losses.[5]

To attract foreign visitors to the U.S., Johnson

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proposes to ease visa requirements. Members of the Senate Judiciary Committee fear this will make it easier for communist agents, narcotics dealers, and other criminals to enter the U.S.[6]

Johnson appointed a task force to recommend means of attracting more foreign travelers to the U.S. On February 21, 1968, the task force recommended a 25% discount on round-trip air tickets bought in Europe for travel to the U.S., and discounts on travel inside the U.S. for foreigners from outside the Western Hemisphere, including: 50% reduction in airline fares, 25% reduction in rail fares, 10% discount on charter bus rates for trips of 400 miles daily, 10% discount by the 3 largest car rental companies, up to 40% discount in rates by 7 large hotel-motel chains.[7] Major firms in the industries affected immediately announced compliance with these recommendations.[8] The government is already subsidizing airlines and railroads with tax money. Will the other industries affected be subsidized? One way or another, Americans (who get no special benefits when they travel abroad) will be forced to help pay for the travel of foreigners (no matter how wealthy) to and in the United States — either through taxes or through being overcharged by business firms which give discounts to foreigners.

Since the beginning of the Marshall Plan, the U.S. government has been encouraging American individuals and businesses to invest overseas, as a means of aiding "friendly less-developed countries." The government lends tax money to private businesses for approved overseas investments; uses tax money to guarantee them against loss — in some cases giving them a 100% guarantee against all risk. In fiscal 1967 alone, the U.S. foreign aid program provided over one billion dollars' worth of insurance to protect private American investments against "political risks" — in Latin America, Africa, and Asia. By the end of fiscal 1967, our government had $3.7 billion of our tax money pledged to protect private American investments in some 43 different countries.[9]

In his January 1, 1968, "balance-of-payments" statement, President Johnson said:

"To reduce our balance of payments deficit by at least $1 billion in 1968 from the estimated 1967 level, I am invoking my authority under the banking laws to establish a mandatory program that will restrain direct investment abroad."[4]

Banking laws which the President interprets as giving him such "authority" ought to be repealed or amended, because the Constitution does not give any branch of the federal government such dictatorial power over American business. Nor does the Constitution give the government power to subsidize overseas investments. Johnson is now illegally doing both at the same time: subsidizing some overseas investments, prohibiting others.

The investment-control orders are even more discriminatory than the travel tax. Johnson will permit new investments of U.S. capital in Greece and Finland, but will permit none in any other nation of continental Europe. He will permit new investments of U.S. capital in Great Britain, Canada, Japan, and Australia — up to 65% of annual investment of U.S. capital in those countries during 1965-66. In underdeveloped countries (where American investments are most likely to fall into communist hands), companies may invest up to 110% of their average 1965-66 investments.[10]

U. S. firms just getting started overseas will be hurt more than big firms already entrenched. And the discriminatory controls will do the opposite of what Johnson claims for them: they will *increase*, not *decrease*, our balance-of-payments deficits. In the 10-year period 1958-67, the dollar *outflow* for private U. S. investments abroad totaled $40.8 billion; the dollar *inflow* from private U. S. investments abroad totaled $46.2 billion.[11] Thus, in this period, our balance-of-payments deficit would have been $5.4 billion bigger than it was, if we had not had the inflow of earnings from private overseas investments.

Moreover, about 22% of total U. S. exports — between 5 and 6 billion dollars a year — go to branches and subsidiaries of U. S. companies overseas.[11]

Johnson said he authorized the Federal Reserve Board to restrain foreign lending by U. S. banks and other financial institutions. At the same time,

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he is demanding that Congress pump more tax billions into government's overseas lending operations. For example, he is again asking Congress to authorize a U. S. contribution to the Asian Development Bank. Congress refused to authorize a $200 million contribution when Johnson first asked for it in 1967.[12]

President Johnson's scheme for improving our balance-of-payments situation includes special tax credits to American business firms that increase their exports; government-guaranteed loans and government-subsidized insurance for American exporters; other direct and indirect subsidies (totaling hundreds of millions of tax dollars) to help private businesses sell their products abroad. Johnson also wants to give tax incentives to foreigners who invest in U. S. corporate securities.

What *right* does the government have to take tax money away from *all* taxpayers to subsidize *some* who happen to be in the export business? None! What *right* does the government have to give special tax advantages to certain American business firms and foreign investors. None!

Johnson's balance-of-payments program will make matters worse. It will also speed the conversion of our Republic into a socialist dictatorship, by enlarging government's grip on the economic activities of individuals and private businesses. The government will control what it subsidizes; and in the end, we will have the same kind of corporate state the nazis set up in Hitler's Germany, that the fascists set up in Mussolini's Italy. It will not be called nazism or fascism or communism, but it will amount to the same.

Johnson could eliminate our balance-of-payments deficit and give taxpayers a huge tax reduction into the bargain, if he would just bring home the 1 million troops stationed abroad to defend foreign nations. This 1 million does not include the 500,000 now in Vietnam.[11]

He could eliminate the balance-of-payments deficit and give us a tax reduction by stopping the unconstitutional foreign aid program, or by stopping the government's unconstitutional foreign lending programs.

This year we need to elect a Congress which will not only reject the President's police-state proposals, but will force him to do what could and must be done to restore the solvency and independence of the Republic.

IMMEDIATE ACTION: (1) *Deluge* the Senate with demands that it reject the Gold Cover Bill (HR 14743) which the House passed on February 21; (2) demand that both Houses of Congress reject the President's travel tax and all related proposals.

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FOOTNOTES

(1) "Why The Pueblo?", "Johnson's Tight Budget," *The Dan Smoot Report*, Feb. 5 and Feb. 12, 1968, pp. 21-8; each available at prices listed below

(2) "Gold Cover," *The Dan Smoot Report*, Feb. 26, 1968, pp. 33-6; reprints available at prices listed below

(3) AP dispatch from Washington, *The Dallas Morning News*, Feb. 21, 1968, p. A16

(4) "Johnson Acts On Dollar: Curbs Investing Abroad And Asks Cut In Tourism"; "Transcript of the President's News Conference on Foreign and Domestic Affairs"; "Summary of Rules on Foreign Investing"; "Text of President's Statement on Balance of Payments Problem and Steps to Meet It," *The New York Times*, Jan. 2, 1968, pp. 1, 14, 15

(5) "Tax on Travel Prompts Mail," by Robert E. Baskin, *The Dallas Morning News*, Feb. 26, 1968, p. A4

(6) AP dispatch from Washington, *The Dallas Times Herald*, Feb. 24, 1968, p. A6

(7) AP dispatch from Washington, *The Dallas Times Herald*, Feb. 21, 1968, p. A11

(8) "Proposed Foreign Travel Tax Drawing Deluge of Protests," by Margaret Mayer, *The Dallas Times Herald*, Feb. 23, 1968, p. A26

(9) Agency For International Development Press Release AID 67-117, July 27, 1967

(10) "President Proposes Steps To Cut U.S. Payments Deficit," *Congressional Quarterly Weekly Report*, Jan. 5, 1968, pp. 15-7

(11) "How Solvent Is The United States?", *U.S. News & World Report*, Feb. 26, 1968, pp. 40-2

(12) "Text Of President's State Of The Union Message," *Congressional Quarterly Weekly Report*, Jan. 19, 1968, pp. 96-100; "What Congress Did Not Do; Foreign Policy; Asian Development Bank," *Congressional Quarterly Weekly Report*, Dec. 15, 1967, pp. 2529-32

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